



INVITATION FOR OFFER – UNRESTRICTED RIK CRUDE OIL SALE
IFO No. 1435-02-06-RP-27830
Deliveries beginning October 1, 2006 and ending March 31, 2007

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting offers from pre-qualified companies to buy royalty oil and condensate produced from certain Federal leases in the Gulf of Mexico and the Pacific Outer Continental Shelf.

This Invitation for Offer (IFO) is for a 6-month sales term beginning October 1, 2006. Successful offerors will take custody of the royalty oil at the applicable custody transfer point as shown in Exhibit A and are responsible for moving the royalty oil downstream of this point.

Offers must be made in writing and submitted to Richard Fantel via facsimile (303-231-3846) or email (richard.fantel@mms.gov) by 2:00 pm MST on August 7, 2006. MMS will confirm receipt of all offers. **Royalty oil packages will be awarded by 2:00 pm MST on August 10, 2006.** Call Richard Fantel for technical questions at 303-231-3502; Maggie Miller for contracting questions at 303-231-3932; and Larry Cobb for pre-qualification or credit questions at 303-231-3307.

Offers

Offerors must be pre-qualified to submit offers. Please see the "Pre-qualification and Credit Requirements" section for more information. MMS reserves the right to reject any offer received.

Exhibit A identifies 25 packages of royalty oil. Exhibit B provides further detail on Facility Measurement Point (FMP) operators, pipelines, and custody transfer points. Data in the exhibits is not warranted and offerors are expected to contact the appropriate parties for the most recent information. The royalty volumes shown for each custody transfer point represent the most recent production data available for properties behind the custody transfer point. Other pertinent information such as leases/agreements, operators, and royalty rates will be provided to the successful offeror upon award.

Exhibit A is the offer sheet to be completed and faxed or emailed. Offers must be to the nearest \$0.0001. MMS prefers no more than one award for each package. However, MMS may consider offers on only part of a royalty oil package if favorable to the Government.

For hurricane surcharges, offerors should follow standard industry practice and include the surcharge(s) in their offer.

Successful offerors for all **HLS** packages will be responsible for the Empire exit fee (also known as outbound terminal or pump out fee) and reconsignment fee, when applicable. These fees should not be included in your offers.

Offers on package 7 (GC 158 A) may be as crude types **Mars** and/or **Poseidon**.

Offers on packages 8 (GB 783 A), 9 (GB 426 A), and 10 (SM 205 ssti) may be for crude types **Bonito** and/or **Eugene Island**. Due to pre-determined monthly volume prorations at EI 330/331, if submitting an offer on Eugene Island Pipeline and/or Bonito Pipeline, offerors must also submit an offer on Auger Pipeline.

Please see the "Quality" section for more information on how to account for gravity and sulfur in your offer. Royalty oil from new wells on currently producing properties behind the custody transfer points that commence production during the term of this IFO will be automatically added to the volumes awarded under this IFO. Royalty oil from new properties behind the custody transfer points that commence production during the term of this IFO will be added to the volumes awarded under this IFO on a case-by-case basis pursuant to mutual consent of MMS and successful offerors.

Gulf of Mexico Pricing Mechanism (Packages 1-24): Offerors must submit offers as an increment or decrement from either or all of the below pricing formulas. **If you would like to submit an offer based on an alternative pricing formula, please caveat your offer with the alternative pricing formula used and/or call the technical contact listed.**

1. (Calendar NYMEX + Daily Roll) – (Platts WTI – Platts Crude Type)
2. (Calendar NYMEX + Daily Roll) + (Argus Weighted Average Crude Type Differential)

Pacific Pricing Mechanism (Package 25): Offerors must submit offers as an increment or decrement from one or both of the following pricing formulas:

1. The arithmetic average of two sets of California posted prices, $(a+b)/2$, where:
 - a) The calendar month's average of the following Midway Sunset posted prices at 13° API: Chevron Corp., ExxonMobil, Shell Trading, and Union 76
 - b) The calendar month's average of the following Buena Vista posted prices at 26° API: Chevron Corp., ExxonMobil, Shell Trading, and Union 76
2. The calendar month average New York Mercantile Exchange (NYMEX) price at 40° API (see below for definition of calendar NYMEX)

Where: Platts WTI: The arithmetic average of the daily high and low price quotes for WTI Cushing for the Platts Month of Delivery

Platts Crude Type: The arithmetic average of the daily high and low price quotes for crude type for Platts Month of Delivery

Argus Weighted Average Crude Type Differential: The weighted average differential for each crude type published by Argus

Calendar NYMEX: Arithmetic average of the daily settlement price for the "Light Sweet Crude Oil" front month futures contract reported by the New York Mercantile Exchange (NYMEX) during the Physical Month of Delivery (excluding weekends and holidays)

Platts or Argus Month of Delivery: Refers to quotes in Platts Oilgram Price Report or Petroleum Argus Americas Crude Price Report for the period of time from the twenty-sixth day of the month two months prior to the physical month of delivery through the twenty-fifth day of the month one month prior to the Physical Month of Delivery (excluding weekends and holidays)

Physical Month of Delivery: The calendar month when the crude oil is delivered

Daily Roll: $(X - Y).6667 + (X - Z).3333$, where:

X = Average of the daily NYMEX settlement price for the prompt month, trading days only, when the Physical Month of Delivery is the prompt month trading on NYMEX

Y = Average of the daily NYMEX settlement price for the second month during the same period, trading days only

Z = Average of the daily NYMEX settlement price for the third month during the same period, trading days only

MMS may award a contract on the basis of initial offer(s) received without discussions. Accordingly, each initial offer should be submitted on the most favorable terms that the offeror can submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated values are received. All information about the origin and value of offers received will remain confidential, except as noted below under "Imbalances" with respect to resolving certain extraordinary imbalances.

The MMS shall award a contract resulting from this IFO to the party whose offer, in MMS' judgment, is most advantageous to the Federal Government. MMS will award to successful offerors by means of the "MMS Crude Oil Transaction Confirmation." MMS will attempt to award 100 percent of the volume from a custody transfer point.

Term

Delivery of royalty oil begins October 1, 2006, and ends March 31, 2007.

Quality

Gulf of Mexico Packages:

For **HLS** packages 2-5, charges resulting from sulfur treatment at the Plains Terminal in Venice for South Pass West Delta (SPWD) barrels will be reimbursed to the purchaser by MMS. These charges should not be included in the offer.

For all **HLS**, **Eugene Island**, and **Poseidon** packages, quality bank debits/credits should not be included in your offer. Successful offerors will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s)

For all **Mars** and **Bonito** packages, with the exception of market center delivery banks, quality bank debits/credits should not be included in your offer. Successful offerors will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s). Market center delivery banks should be included in your offer.

For **TXG** packages 15-24, quality bank debits/credits should not be included in your offer as they will be passed back to the MMS by the operator.

Pacific Package:

Adjustments for sulfur content are to be included in your offer(s). Buyers will make appropriate quality adjustments to their payment each month to match the actual gravity of the delivered royalty oil by using Shell Trading's California posted price gravity adjustment table applicable to the month of production. If this table changes during the month, the monthly average of the table will be used. This adjustment table applies to all of the allowed offer methods, specifically:

Buyers using pricing formula 1 will adjust their payment by accounting for the difference between the delivered royalty oil and 19.5° API (the average of Midway Sunset's 13° posted gravity and Buena Vista's 26° posted gravity).

Buyers using pricing formula 2 will adjust their payment by accounting for the difference between the delivered royalty oil and 40° API (NYMEX WTI barrel gravity).

Successful offerors must net any quality bank credits or debits against the monthly charges for purchased oil. The net payment is due to MMS by the 20th of the month after receipt. All quality bank data must be accompanied by supporting documentation.

The quality information in the Exhibits represents MMS' most recent data for the custody transfer points in the packages offered. Actual quality during the term of this sale may vary. Data provided by MMS is based on the best information available at the time of IFO publishing and is not warranted.

Transporting and Scheduling Royalty Oil

Successful offerors are responsible for transporting all royalty oil volumes downstream of the custody transfer point specified in Exhibit A. Successful offerors must nominate and schedule all volumes awarded through this IFO separately from all other volumes owned or controlled at the custody transfer point where royalty oil is received. When nominating to the pipeline, you are required to indicate that the nomination is for MMS sourced crude oil.

Exhibit C identifies transportation rates MMS has arranged with Marathon Pipeline. For royalty oil volumes associated with packages 2-4, 11, and 12a, successful offerors, at their discretion, may be designated as MMS' agents for the transportation rates and terms specified in Exhibit C. Offerors must indicate on Exhibit A whether they intend to use these rates.

For package 6, Main Pass Oil Gathering (MPOG) system, offers should be given for flow down both Cypress Pipeline and Delta Pipeline. Selected offerors' payment will be based on maximum flow allowable on Cypress Pipeline and the remaining volume on Delta Pipeline. At the time of issuance of this IFO, flow from MPOG at MP 69 was 60 percent down Cypress Pipeline and 40 percent down Delta Pipeline.

Within 10 days of execution of the "MMS Crude Oil Transaction Confirmation" relative to this IFO, successful offerors must request in writing to all pipeline companies moving royalty oil, that MMS royalty volumes be itemized separately from non-MMS volumes. In cases where the pipeline companies are unable to break out the MMS volumes on the pipeline statement, you must provide MMS with acceptable third-party data itemizing the MMS volumes delivered or use a pipeline assigned measurement facilitator. Any charges associated with obtaining this third-party data are the responsibility of the successful offeror.

Successful offerors will provide MMS with pipeline statements and any third-party documentation within 2 days after the documents have been made available to the shipper. Documentation not received by the due date may be purchased by MMS with the successful offeror being billed the associated costs.

Successful offerors, through customary industry practice, will communicate directly with MMS and the FMP operator and will make arrangements to deliver and transfer the royalty oil from the awarded custody transfer point. Successful offerors, at their expense, will make all necessary arrangements to receive royalty oil at the custody transfer point. Successful offerors are not responsible for any transportation costs upstream of the custody transfer point.

No later than 5 calendar days before the first day of each month, the MMS will notify successful offerors of the daily royalty oil volumes anticipated for the following month of production. Successful offerors understand that any such estimates are not warranties of actual deliveries to be made but are provided to facilitate planning the delivery of royalty oil. This process will continue for each month of the term of this IFO.

The operators of the properties behind the custody transfer points offered in this IFO are instructed to use reasonable efforts, consistent with industry practice, to inform MMS and/or successful offerors regarding significant changes in royalty oil production levels and production shut-ins.

The MMS will automatically adjust an awarded offer by any increase or decrease in tariff-based transportation costs related to awarded properties effective on the date of the tariff change. MMS will send the successful offeror written notification confirming such changes. Unless extraordinary circumstances exist, contract amendments will not be granted for rate changes in offeror's buy/sell arrangements.

Imbalances

Successful offerors are granted rights to royalty oil delivered by operators at the custody transfer points indicated in Exhibit A, not actual entitlements due the Federal Government.

MMS and the operator will jointly monitor imbalances between deliveries and entitlements. Routine imbalances will be resolved by adjusting the volume of royalty oil delivered to successful offerors in the second month following the month of delivery unless otherwise approved by MMS. MMS will communicate these adjustments to the successful offeror regarding the first of month availability of royalty oil.

Property imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS and the operator. The contract price under this IFO may form the basis of resolving certain extraordinary imbalances between MMS and operators.

An example of the rights and responsibilities of operators under RIK oil situations is outlined in MMS' "Dear Operator" letter at <http://www.mrm.mms.gov/rikweb/PDFDocs/20060515a.pdf>.

MMS is not responsible for royalty crude oil pipeline imbalances downstream of the custody transfer point.

Confidentiality

Neither MMS or the successful offeror shall disclose directly or indirectly, without the prior written consent of the other party, the terms of any transaction under this IFO to a third-party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except; (i) to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary to enforce this Contract, (iii) to the extent necessary to implement any transaction, including any transaction as described above in the section "Transporting and Scheduling Royalty Oil", or (iv) to the extent such information is delivered to such third-party for the sole purpose of calculating a published index.

Each party shall notify the other party of any proceeding of which it is aware which may result in disclosing the terms of any transaction (other than as permitted above) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for 1 year from the expiration of the transaction.

Pre-qualification and Credit Requirements

To pre-qualify, offerors are required to sign the MMS base contract "RIK Crude Oil General Terms and Conditions" and provide detailed financial information. Upon pre-qualifying, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In most cases where offerors have submitted their most current financial documentation or such information is available on Edgar Online, no additional information will be required. However, MMS reserves the right to request updated financial information in any situation it deems reasonable and may reissue approved lines of credit. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

For awards exceeding the amount of unsecured credit issued by MMS, successful offerors will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument 5 business days prior to first receipt of oil under the contract. The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS as previously notified. For new surety instruments, the MMS will contact you regarding the calculation of an estimated amount of surety to be provided prior to initial deliveries. For continuing surety instruments, we will contact you regarding renewal requirements. Failure to provide requested surety may result in cancellation of the award or termination of the contract.

Significant and sustained increases in the value of crude oil during the term of the contract may result in requiring an increase in the amount of financial assurance. Further, should the creditworthiness, financial responsibility, or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory assurance may be required as a condition to further performance under the agreement.

Limitation of Liability

Neither Party shall be liable for indirect, special, or consequential damages.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions" signed by the offeror and MMS. **By submitting an offer, the offeror agrees to be bound by the terms of its signed MMS base contract and this IFO.** Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO.

MMS will send the successful offeror a Transaction Confirmation detailing the award packages. Transaction Confirmations not signed and returned within 2 business days of receipt will be deemed binding on behalf of both parties.

Paperwork Reduction Act of 1995 (PRA) Statement:

The OMB Control Number for this IFO is 1010-0119 with an expiration date of February 28, 2009. The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to document fulfillment of royalty obligations on minerals removed from Federal lands. The MMS uses the information to maintain and audit lease accounts. Responses are voluntary (43 U.S.C. 1334). Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(1), (4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW, Washington, DC 20240.

3 Exhibits:

Exhibit A – Offer Sheet

Exhibit B – RIK Custody Transfer Point Detail

Exhibit C – Marathon Offshore Pipeline LLC Incentive Rates

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered At	Custody Transfer Point Royalty Volume (bbls/day)	Custody Transfer Point API Gravity	Custody Transfer Point Sulfur %	NYMEX + Daily Roll basis (offshore delivery point)	Required: Platts or Argus (indicate P or A)	Accept MMS' Transportation or Buy/Sell (Yes or No)
1	HLS	Empire	SWP 24	MC 194	750	30.3	N/A			
2	HLS	Empire	SP 89 B	SP 89 B	70	43.0	See Ex. B			
3	HLS	Empire	SP 89 B	SP 89 B (Zia)	320	30.0	See Ex. B			
4	HLS	Empire	WD 79 A	WD 79 A	160	37.7	See Ex. B			
5	HLS	Empire	WD 109 A	WD 109 A	450	33.0	See Ex. B			
6a	HLS	Empire	MP 69 (from MPOG via Delta P/L)	See Exhibit B	7,800	36.9	N/A			
6b	HLS	Empire	MP 69 (from MPOG via Cypress P/L)	See Exhibit B	7,800	37.0	N/A			
7a	Mars	Clovelly	GC 158 A	GC 158 A	3,100	35.2	1.27			
7b	Poseidon	Houma	GC 158 A	GC 158 A	3,100	35.2	1.27			
8a	Bonito	St. James	GB 783 A	GB 783 A	3,500	40.6	0.75			
8b	El	St. James	GB 783 A	GB 783 A	3,500	40.6	0.75			
9a	Bonito	St. James	GB 426 A	GB 426 A	6,600	32.4	1.27			
9b	El	St. James	GB 426 A	GB 426 A	6,600	32.4	1.27			
10a	Bonito	St. James	SM 205 ssti	El 397 A	400	37.1	0.60			
10b	El	St. James	SM 205 ssti	El 397 A	400	37.1	0.60			
11	El	St. James	VR 386 B	VR 386 B	300	31.0	1.13			
12a	El	St. James	EC 346 A	EC 346 A	300	29.2	1.33			
12b	El	St. James	EC 346 A (Non-Incentive Rate)	EC 346 A	110	29.2	1.33			
13	El	St. James	El 327 ssti	El 325 A	240	36.7	0.67			
14	Mars	Clovelly	MC 809 A	MC 809 A	13,000	30.5	2.10			
15	TXG	Texas City	Segment 1 (GA 256 ssti)	GA 209 B	470	31.8	0.10			
16	TXG	Texas City	HIA 474 A	HIA 474 A	250	40.0	0.19			
17	TXG	Texas City	EB 159 A	EB 159 A	150	40.8	0.19			
18	TXG	Texas City	EB 160 A	EB 160 A	500	33.0	0.37			
19	TXG	Texas City	HIA 563 B	HIA 563 B	130	33.2	0.27			
20	TXG	Texas City	HIA 582 C	HIA 582 C	1,100	38.8	0.32			
21	TXG	Texas City	IP#4/SEG III	HIA 376 A	110	35.9	0.34			
22	TXG	Texas City	HIA 573 B	HIA 573 B	130	34.4	0.40			
23	TXG	Texas City	HIA 595 C	HIA 595 C	360	32.3	0.61			
24	TXG	Texas City	GB 189 A	WC 661 A	250	33.0	0.65			

Offer Pkg	Royalty Oil Type	Market Center	Custody Transfer Point	Volume Metered At	Custody Transfer Point Royalty Volume (bbls/day)	Custody Transfer Point API Gravity	Custody Transfer Point Sulfur %	Avg. of BV/MS Postings	NYMEX Calendar Month Basis
25	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	6,450	18.9	5.00		

Your Name _____

Phone No. _____

Company Name _____

Fax No. _____

MMS Contacts

Crystal Edler 303-231-3126 crystal.edler@mms.gov
Richard Fantel 303-231-3502 richard.fantel@mms.gov
Donna Hogan 303-231-3148 donna.hogan@mms.gov
Allen Vigil 303-231-3098 allen.vigil@mms.gov
Fax No. 303-231-3846

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
1	HLS	Empire	SWP 24	MC 194	20608174850	Shell Offshore	750	30.3	N/A	Coganc P/L into	no	STUSCO
							(Note 2)			Delta P/L	yes	
						Pipeline Total	750					
2	HLS	Empire	SP 89 B	SP 89 B	20177224600	Marathon Oil Co.	70	43.0	(Note 3)	• South Pass-West Delta System (Marathon P/L) into	yes	(Note 4)
							(Note 2)			Chevron P/L or;	yes	
										• South Pass-West Delta System (Marathon P/L) into	no	Multiple Co.
										Chevron P/L	yes	
3	HLS	Empire	SP 89 B	SP 89 B (Zia)	20177224600	Marathon Oil Co.	320	30.0	(Note 3)	• South Pass-West Delta System (Marathon P/L) into	yes	(Note 4)
						(Devon Energy for Zia)	(Note 2)			Chevron P/L or;	yes	
										• South Pass-West Delta System (Marathon P/L) into	no	Multiple Co.
										Chevron P/L	yes	
4	HLS	Empire	WD 79 A	WD 79 A	20177194600	SPN Resources	160	37.7	(Note 3)	• South Pass-West Delta System (Marathon P/L) into	yes	(Note 4)
										Chevron P/L or;	yes	
										• South Pass-West Delta System (Marathon P/L) into	no	Multiple Co.
										Chevron P/L	yes	
5	HLS	Empire	WD 109 A	WD 109 A	20177194602	Chevron Corp.	450	33.0	(Note 3)	Chevron P/L	yes	
							(Note 2)					
						Pipeline Total	1,000					
6	HLS	Empire	MP 69 (from MPOG)	VK 826 A	20608165111	Kerr-McGee	7,800	36.9	N/A	Cypress P/L or Delta P/L (Note 5)	yes	
				VK 915 A	20608165114	BP Expl. and Prod.		37.0				
				MP 281 A	2017724511G	Dominion E & P		(Note 6)				
				VK 823 A	20608165115	Total E & P	(Note 7)					
				MP 225 A	2017724511C	Maritech Resources						
						Pipeline Total	7,800					
7a	Mars or	Clovelly	GC 158 A	GC 158 A	20608113652	Shell Offshore	3,100	35.2	1.27	• Brutus P/L into Amberjack P/L into Mars Oil P/L or;	yes	
										• Brutus P/L into SS 301 to SS 332 into	yes	
7b	Poseidon	Houma								Poseidon P/L; Delivery at Houma	no	Poseidon
						Pipeline Total	3,100					
8a	Bonito or	St. James	GB 783 A	GB 783 A	20608072603	ConocoPhillips	3,500	40.6	0.75	• Auger P/L into Ship Shoal P/L or;	yes	
										• Auger P/L into Bonito P/L into Ship Shoal P/L or;	yes	
8b	EI	St. James								• Auger P/L into Eugene Island P/L into	yes	
										Shell's South Louisiana System	yes	
						Pipeline Total	3,500					
9a	Bonito or	St. James	GB 426 A	GB 426 A	20608072600	Shell Offshore Inc.	6,600	32.4	1.27	• Auger P/L into Ship Shoal P/L or;	yes	
							(Note 7)			• Auger P/L into Bonito P/L into Ship Shoal P/L or;	yes	
9b	EI	St. James								• Auger P/L into Eugene Island P/L into Ship Shoal P/L	yes	
10a	Bonito or	St. James	SM 205 ssti	EI 397 A	2017710260P	W & T Offshore	400	37.1	0.60	• Auger P/L into Ship Shoal P/L or;	yes	
							(Note 7)			• Auger P/L into Bonito P/L into Ship Shoal P/L or;	yes	
10b	EI	St. James								• Auger P/L into Eugene Island P/L into Ship Shoal P/L	yes	
						Pipeline Total	7,000					
11	EI	St. James	VR 386 B	VR 386 B	20177062954	Marathon Oil Co.	300	31.0	1.13	Marathon P/L into	yes	(Note 4)
										Eugene Island P/L (Marathon capacity) into	yes	
										Shell's South Louisiana System	yes	
12a	EI	St. James	EC 346 A	EC 346 A	20177042950	Remington O&G	300	29.2	1.33	Marathon P/L into	yes	(Note 4)
							(Note 2)			Eugene Island P/L (Marathon capacity) into	yes	

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
										Shell's South Louisiana System	yes	
12b	El	St. James	EC 346 A (Non-Incentive Rate)	EC 346 A	20177042950	Remington O&G	110	29.2	1.33	Marathon P/L into	yes	
			(production from EC 345/360)							Eugene Island P/L (Marathon capacity) into	yes	
										Shell's South Louisiana System	yes	
13	El	St. James	El 327 ssti	El 325 A	20177102952	Forest Oil Corp.	240	36.7	0.67	Marathon P/L into	yes	
										Eugene Island P/L (Marathon capacity) into	yes	
										Shell's South Louisiana System	yes	
						Pipeline Total	950					
14	Mars	Clovelly	MC 809 A	MC 809 A	20608173651	Shell Offshore	13,000	30.5	2.10	Ursa P/L into Mars Oil P/L	yes	
						Pipeline Total	13,000					
15	TXG	Texas City	Segment I (GA 256 ssti)	GA 209 B	20427060150	ExxonMobil	470	31.8	0.10	HIPS P/L	yes	
16	TXG	Texas City	HIA 474 A	HIA 474 A	20427090153	Newfield Exploration	250 (Note 2)	40.0	0.19	HIPS P/L	yes	
17	TXG	Texas City	EB 159 A	EB 159 A	20608040150	Chevron Corp.	150	40.8	0.19	HIPS P/L	yes	
18	TXG	Texas City	EB 160 A	EB 160 A	20608040151	Chevron Corp.	500 (Note 7)	33.0	0.37	HIPS P/L	yes	
19	TXG	Texas City	HIA 563 B	HIA 563 B	20427090158	Chevron Corp.	130	33.2	0.27	HIPS P/L	yes	
20	TXG	Texas City	HIA 582 C	HIA 582 C	2042709015E	Chevron Corp.	1,100	38.8	0.32	HIPS P/L	yes	
21	TXG	Texas City	IP#4/SEG III (HIA 546 ssti)	HIA 376 A	20427110152	Apache Corp.	110	35.9	0.34	HIPS P/L	yes	
22	TXG	Texas City	HIA 573 B	HIA 573 B	2042709015B	Apache Corp.	130	34.4	0.40	HIPS P/L	yes	
23	TXG	Texas City	HIA 595 C	HIA 595 C	2042709015C	Apache Corp.	360	32.3	0.61	HIPS P/L	yes	
24	TXG	Texas City	GB 189 A	WC 661 A	20177020150	Tarpon Offshore	250	33.0	0.65	HIPS P/L	yes	
						Pipeline Total	3,450					
25	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	20040833500	ExxonMobil	6,450	18.9	5.00	Plains All American P/L	yes	
						Pipeline Total	6,450					
						Grand Total	47,000					

Pipeline and Buy/Sell Contacts:

- Poseidon: James Hostettler (303) 339-0381
- STUSCO: Brett Jones (713) 230-1944

- FMP: Facility Measurement Point
- N/A: Not Applicable

Note 1: Gravity and Sulfur contents are not warranted and are measured at the FMP unless otherwise noted.

Note 2: Due to the hurricanes, property is currently not producing or not producing to full capacity, however, expected to produce prior to or during the contract period.

Note 3: The crude may require treatment/blending to lower the sulfur content. If so, offeror would be charged a buy/sell rate from the Plains Terminal.

This charge should not be included in the offer as it will be reimbursed to the purchaser by MMS.

Note 4: Reserve Commitment Program for Marathon's tariff, see Exhibit C.

Note 5: Offers should be given for flow down both the Cypress and Delta Pipelines. At the time of issuance of this IFO, flow from MPOG at MP 69 was approximately 60% down the Cypress Pipeline and 40% down the Delta Pipeline.

Note 6: The first gravity listed is the average commingled MPOG gravity entering Delta P/L for Jun-06, the second is the average commingled gravity entering Cypress P/L for Jun-06, both are measured at MP 69.

Note 7: FMP contains a lease in Royalty Relief status whose volume will not be included in deliveries to purchaser.

Marathon Offshore Pipeline LLC (MOPL)**Exhibit C****Incentive Rates****Marathon Contacts:**

Ted Skinner (713-296-3719)

Offer Pkg	Custody Transfer Point	Pipeline System	Incentive Program Rate	FERC Number
2	SP 89 B	South Pass-West Delta	\$0.85	3
3	SP 89 B (Zia)	South Pass-West Delta	\$0.45	3
4	WD 79 A	South Pass-West Delta	\$0.45	5
11	VR 386 B	Eugene Island	\$1.27	10
12a	EC 346 A	Eugene Island	* \$1.27	10

Note: Line loss based on actuals.

* Rate is only from EC 346 production. Production from EC 345/360 will be at non-incentive rate.